



California Business, Transportation and Housing Agency

Armenia Trade Office

June 30, 2007

Report to the Legislature on the Armenia Trade Office

Summary

Senate Bill 897 (Chapter 604, Statutes of 2005), extended to June 1, 2007, the date by which the Business, Transportation and Housing Agency (BTH) must report to the Legislature on the successes of the Armenia Trade Office (Trade Office). The Trade Office officially opened in October 2005.

The Trade Office, while sponsored by the State, is funded and managed by a private organization. The Foundation for Economic Development (Foundation) won the State bid for the office, and is responsible for day-to-day operations, staffing and funding. BTH provides administrative oversight, and deposits donations received by the Foundation. The Trade Office reports to BTH on its progress and dealings.

Since the beginning of its operation, the Trade Office has worked to generate contacts and establish itself as a California trade facilitator in Armenia. To build a stronger trade relationship with California, the Foundation established an office in Glendale, California. The Glendale office also promotes Armenia as a trading partner and a gateway to Eastern Europe.

In its 2006 year-end report to BTH, the Trade Office highlighted what it considered major successes. These successes include business deals, studies and a trade mission to Armenia. The report also highlights some of the future plans of the Trade Office. A copy of the report is attached.

Two business deals are highlighted in the report. The Trade Office assisted in a deal between Marani, a California Vodka distiller, and an Armenian company. The Armenian company supplies Marani with the necessary products to distill Vodka. Further, the deal included Safeway, which will distribute the vodka throughout California. To support the work with Safeway, the Trade Office delivered a demographic study that analyzed buying patterns of California customers of Armenian and Russian descent.

The other business success cited involved assisting a California interior design company to secure a contract to design the Cafesjian Museum in Armenia.

The Trade Office also conducted a market study for California companies in Armenia. The market study discusses the Armenian economy and US-Armenia trade relations while highlighting potential business sectors for California companies.

In September 2006, the Trade Office organized a trade mission for eight California business people. The group spent a week in Armenia participating in various meetings and business events.

Answers to the specific questions outlined in SB 897:

(1) The level of investment and tourism directed to California as a direct result of the international trade and investment office.

Based on information provided by the Trade Office, there has not been any measurable foreign investment in California from Armenia. According to the Trade Office, Armenian investment in California was not a focus during their first year of operation.

Further, the Trade Office cannot specify the amount of tourism directed to California.

The U.S. embassy in Armenia reports 3,503 visitor visas were issued to the United States in 2006. Based on California Travel and Tourism Commission estimates approximately 525 Armenians (15 percent of visas issued) visited California last year.

(2) The level of imports sent to California as a direct result of the international trade and investment office.

The Trade Office does not report any detailed or specific numbers.

According to the Trade Office, one of their biggest successes came in 2006 working with the Marani Company. Marani is a California-based company that distills and distributes Vodka from Armenia. Marani worked with the trade office to find reliable suppliers of raw materials from Armenia for production use. Further, the Trade Office assisted Marani in signing an agreement with Safeway to distribute the vodka throughout California.

(3) The level of California exports sent to the region of Eastern Europe and Western Asia as a direct result of the international trade and investment office.

There are no specific numbers to report. The Trade Office spent most of its first year of operation focusing solely on Armenia, rather than Eastern Europe or Western Asia.

The level of exports directed to Armenia by the Trade Office appears to be minimal. The target stipulated by BTH was \$150,000. While the Trade Office has worked to build contacts between Armenia and California, it appears they credit just \$40,000 in sales to their efforts over the last year.

(4) A cost-benefit analysis of the international trade and investment office.

Based on minimal information provided by the Trade Office, we are unable to perform a cost-benefit analysis.

(5) An analysis of the costs and outcomes of the international trade and investment office compared with those of the other international trade and investment offices.

There exist no other State-sponsored California trade offices with which to compare the Trade Office. Furthermore, California is the only state with a trade office in Armenia, so there is no meaningful benchmark for comparison.